



**InterOil Corporation
Elk-4 Well
Drilling Report No. 7
May 28, 2008**

Elk / Antelope Gas Field

Type: Gas appraisal well

Location: PPL 238, Eastern Papuan Basin
294,206m E, 9213,459m N

Current Status: Currently preparing to run open hole wire line logs followed by DST #2 which will test the open hole from 7,205 feet (2,196 meters) to 7,586 feet (2,312 meters).

Drilled 4 ¾ inch hole from 7,402 feet (2,256 meters) to 7,586 feet, (2,312 meters) in limestone formation. After taking a gas kick while drilling at 7,491 feet (2,283 meters) the well was drilled to 7,586 feet (2,312 meters) in preparation for logging and testing.

Background gas and connection gas (C1 to C5) were observed while drilling this latest hole section down to 7,586 feet (2,312 meters) in addition to the gas and condensate flared at surface while circulating out the kick.

The preliminary results from DST #1 obtained on May 9 and referred to in Drilling Report No. 6 released on May 14, 2008, which results are still subject to the final log and lab analysis of the gas and condensate, were as follows:

Updated Well Test Results

Reservoir Pressure at 6,149 feet (gauge depth)	3,587 psia
Formation Flow Capacity	14,000 md ft
Stabilized Gas Flowrate @ current skin	8.3 MMcfd
Condensate Rate	82 Bbl/day
Water Rate (apparent load water)	245 Bbl/day
*Calculated Stabilized Gas Flow Rate @ 0 skin	+/- 500MMcfd

DST #1 tested the open hole from 7,205 feet (2,196 meters) to 7,402 feet (2,256 meters). The pressure analysis indicated extremely high skin damage which is believed to be a result of the kill operations using heavy mud and lost circulation material. The calculated stabilized flow is the rate expected at the sandface of the reservoir if all the skin damage is cleaned up, which is a relatively simple operation in limestone reservoirs.

*This calculation must be used with caution as the accuracy of pressure

Past Data: buildup used to determine this value is limited to the resolution of the gauges utilized.

Set 18 ⁵/₈-inch surface casing at 517 feet, (156 meters). Drilled a 17 ¹/₂-inch hole to 1,792 feet (541 meters), followed by setting 13 ³/₈-inch casing at 1,789 feet (540 meters). Drilled a 12 ¹/₄-inch hole from 1,789 feet (540 meters) to 3,733 feet (1,127 meters). Set 9 ⁵/₈-inch casing to 3,717 feet (1,122 meters) and cemented in place. Installed a downhole deployment valve (DDV) within the 9 ⁵/₈-inch casing. Set 7-inch liner to 6,562 feet (2,000 meters) and cemented in place. Top of liner is at 3,366 feet (1,026 meters). A 5 ¹/₂ inch liner was then run down to 7,205 feet (2,196 meters) with the top of liner set at 6,211 feet (1,893 meters).

*(*note: previous wells drilled in the area have experienced background gas, however background gas in no way confirms commercial accumulations of hydrocarbons reached to date on this well, until the well is drilled out and testing and logging is completed. The structure may need further geological, geophysical and appraisal work before a commercial confirmation of gas reserves.) There is no assurance that any such reserves will be established.)*

Planned Total Depth: Approximately 8,000 feet (2,450 meters)

Operator: InterOil subsidiary, SPI (208) Limited.

Prospect Description: This well is targeting the Puri and Mendi, and Antelope Reef limestone.

FOR FURTHER INFORMATION: Please see the InterOil web site at www.interoil.com

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We currently have no reserves as defined in Canadian National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. All information contained herein regarding resources are references to undiscovered resources under Canadian National Instrument 51-101, whether stated or not.

